

A STUDY ON DETERMINANTS OF CAPITAL STRUCTURE IN INDIA

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This paper reports on a study of the determinants of capital structure in Indian companies for the period 2001–2010. Research so far has focussed on the capital structure of developed economies, and research in the Indian context has been limited. The Indian financial market has been growing at an exponential rate despite encountering two recessions between 2001 and 2010, the study period. The paper utilizes a larger data set in comparison to earlier studies in India and examines

additional factors. This study presents evidence on the determinants of capital structure with data from NSE listed companies, drawing on a sample size of 870 companies, in the study period 2001–2010. The objective of the paper is to identify the factors which help determine the capital structure of Indian companies using regression modelling. Ten independent variables and three dependent variables were tested using regression analysis. The empirical results imply that profitability,

asset tangibility, size, tax rate, and debt servicing capacity have significant impact while raising short term debt; profitability, growth, asset tangibility, cost of debt, tax rate, and debt servicing capacity have significant impact while raising long term debt; and profitability, growth, asset tangibility, size, tax rate, and debt servicing capacity have significant impact while considering total debt while making capital structure decisions of Indian companies.

INTERVIEW

AFFORDABLE HOUSING: IN CONVERSATION WITH RAMESH RAMANATHAN, CHAIRMAN, JANALAKSHMI SOCIAL SERVICES AND JANAADHAR

Sourav MUKHERJI

Professor C K Prahalad's hypothesis in his 2005 book that there was a "fortune at the bottom of the pyramid (BoP)" if organizations addressed the needs of the economically weaker sections of the world, was a challenge to organizations to innovate and reinvent their business models. Low cost housing is one such BoP opportunity in India, going by the estimated housing gap reported in the 11th Five Year Plan. However, despite the potential, there are few real estate players in this segment. In this conversation with Ramesh Ramanathan, founder of Janaadhar, a not-for-profit enterprise which aims to provide good quality houses at low prices to the underserved population, we discuss the

challenges in this space and how his organization is meeting them. The challenges include undersupply and high cost of residential land in urban India and the time taken for requisite clearances, difficulty in getting bank loans, and in acquiring the right customers. Ramesh Ramanathan speaks of his journey in building Janaadhar, which provides several pointers on social entrepreneurship. The learnings include the need to overturn conventional wisdom and be perennially in a learning mode – to be ready to "bite the bullet and figure out how to deliver". Mr Ramanathan acknowledges the "mistakes" made but puts them down to the "tuition fees" for learning. Affordable

housing, he points out, tends to be focussed on cost of construction, but the real challenges lie in knowing the customer, and addressing issues related to customer acquisition and customer servicing. The process has involved a balance between "head and heart", a constant negotiation of the tradeoff between financial viability and positive social impact, which has reflected in Janaadhar's selection of partners, operational choices, the specific organization form they adopted, and their human resource policy. In conclusion, Mr Ramanathan emphasizes the role of the government and policy enablers, and the importance of commitment and leadership in creating a purpose-driven organization.

ROUND TABLE

ENVIRONMENTAL FISCAL REFORMS

Ashish K. CHATURVEDI, Manjeet S. SALUJA, Abhijit BANERJEE and Rachna ARORA

The paper discusses the role of environmental fiscal reforms (EFR) and their application in the Indian context. Under the right circumstances, EFR can lead to the achievement of desired environmental

objectives more efficiently and cost-effectively than command-and-control measures. Concepts and instruments of EFR are summarized with their pros and cons. Substantial experience in European Union

countries in implementing EFR is highlighted, noting that overall, environmental performance was improved without significant economic burdens. In the Indian context, there is concern about EFR